GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:795
ANSWERED ON:25.07.2003
SECURITISATION OF COUNTRIES FOREX RESERVES
A.K. PREMAJAM

Will the Minister of FINANCE be pleased to state:

(a): the amount of India`s forex reserves parked in Government securities of developed nations, country-wise;

(b): the percentage of these securities amount out of total Forex reserves;

(c): the percentage of interest earned from these securities; and

(d): the percentage of interest India pays on external debts?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a), (b) & (c): The Reserve bank of India (RBI) managesand operates the country`s foreign exchange reserves. The deployment of foreign exchange reserves is guided by the principles of safety, liquidity, and return. Depending upon the conditions prevailing in international financial markets, the RBI makes marginal changes in the currency/asset composition in the portfolio for increasing the return and/or minimising the risk of losses. The entire foreign currency assets of the country are invested in approved foreign securities and in deposits of foreign central and commercial banks and the Bank of International Settlements.

(d): Interest rates on external debt are determined by the maturities and currency compositions of various forms of debt. During the period April-December 2002, India`s total debtservice (repayments and interest) on external debt was US $9,449 million, of which, interest payments amounted to US $2695 million. India`s total stock of external debtat end-December 2002 was US $104987 million.